

Internal Revenue bulletin

Bulletin No. 2002-8
February 25, 2002

HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

INCOME TAX

Rev. Rul. 2002-7, page 543.

LIFO; price indexes; department stores. The December 2001 Bureau of Labor Statistics price indexes are accepted for use by department stores employing the retail inventory and last-in, first-out inventory methods for valuing inventories for tax years ended on, or with reference to, December 31, 2001.

T.D. 8982, page 544.

Final regulations under section 1031 of the Code narrow the definition of the term disqualified person for section 1031 like-kind exchanges in response to recent changes in the federal banking law, especially the repeal of section 20 of the Banking Act of 1933 (the Glass-Steagall Act). The regulations will affect the eligibility of certain persons to serve as escrow holders of qualified escrow accounts, trustees of qualified trusts, and qualified intermediaries.

Notice 2002-13, page 547.

Low-income housing tax credit. This notice reproduces the proper population figures to be used for determining the 2002 calendar year population-based component of the state housing credit ceiling under section 42(h) of the Code and the 2002 calendar year volume cap under section 146 of the Code.

Notice 2002-14, page 548.

Automatic change to the cash method of accounting. Qualifying small business taxpayers within the scope of the proposed revenue procedure set forth in Notice 2001-76 (2001-52 I.R.B. 613) may change to the cash method of accounting and treat inventoriable items as non-incidental materials and supplies with respect to its eligible trades or businesses for any taxable year ending on or after December 31, 2001.

Rev. Proc. 2002-13, page 549.

This procedure provides a safe harbor method for valuing stock options under the golden parachute payment rules of section 280G of the Code. Generally, under the safe harbor valuation method described in the procedure, on the valuation date, the volatility of the underlying stock, the exercise price of the option, the value of the stock at the time of the valuation, and the maximum term of the option are taken into account.

EMPLOYEE PLANS

Announcement 2002-12, page 553.

Nonbank trustees; section 1.408-2(e) of the regulations.

This announcement contains a list of entities previously approved to act as nonbank trustees and custodians within the meaning of section 1.408-2(e) of the regulations. In addition, the announcement contains instructions on how errors in the list may be corrected.

EMPLOYMENT TAX

Announcement 2002-19, page 561.

This announcement provides an extension of time to February 15, 2002, for employers to furnish Forms W-2 for the 2001 tax year to household employees.

(Continued on the next page)

Finding Lists begin on page ii.



Department of the Treasury
Internal Revenue Service

EXCISE TAX

Rev. Proc. 2002-13, page 549.

This procedure provides a safe harbor method for valuing stock options under the golden parachute payment rules of section 280G of the Code. Generally, under the safe harbor valuation method described in the procedure, on the valuation date, the volatility of the underlying stock, the exercise price of the option, the value of the stock at the time of the valuation, and the maximum term of the option are taken into account.

ADMINISTRATIVE

REG-120135-01, page 552.

Proposed regulations relate to the definition of agent for certain purposes. The regulations clarify that the term agent in certain provisions of section 6103 of the Code includes contractors.

Notice 2002-15, page 548.

This notice supplements the tax relief granted in Notices 2001-61 (2001-40 I.R.B. 305) and 2001-68 (2001-47 I.R.B. 504) for taxpayers affected by the September 11, 2001, terrorist attack by providing an additional postponement of time to apply for a tentative carryback adjustment under section 6411 of the Code.

Announcement 2002-17, page 561.

Changes in method of accounting; automatic consent.

This announcement reflects corrections to Rev. Proc. 2002-9 (2002-3 I.R.B. 327), which provides procedures under which taxpayers may obtain automatic consent of the Commissioner to change certain methods of accounting. Rev. Proc. 2002-9 modified and clarified.

Announcement 2002-20, page 561.

This document contains corrections to temporary regulations (T.D. 8971, 2002-3 I.R.B. 308) relating to guidance on the new markets tax credit.

Announcement 2002-21, page 562.

This document contains corrections to temporary regulations (T.D. 8975, 2002-4 I.R.B. 379) relating to certain transfers of property to a Regulated Investment Company (RIC) or a Real Estate Investment Trust (REIT).

Announcement 2002-22, page 562.

This document contains corrections to final regulations (T.D. 8976, 2002-5 I.R.B. 421) that provide guidance regarding methods of valuing dollar-value LIFO pools and affect persons who elect to use the dollar-value LIFO and inventory price index computation (IPIC) methods or who receive dollar-value LIFO inventories in certain nonrecognition transactions.

Announcement 2002-23, page 563.

This document contains corrections to final regulations (T.D. 8972, 2002-5 I.R.B. 443) relating to averaging of farm income.

The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by

applying the tax law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents are consolidated semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered,

and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.

This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The first Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the first Bulletin of the succeeding semiannual period, respectively.

The contents of this publication are not copyrighted and may be reprinted freely. A citation of the Internal Revenue Bulletin as the source would be appropriate.

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

Section 472.—Last-in, First-out Inventories

26 CFR 1.472-1: Last-in, first-out inventories.

LIFO; price indexes; department stores. The December 2001 Bureau of Labor Statistics price indexes are accepted for use by department stores employing the retail inventory and last-in, first-out inventory methods for valuing inventories for tax years ended on, or with reference to, December 31, 2001.

Rev. Rul. 2002-7

The following Department Store Inventory Price Indexes for December 2001 were issued by the Bureau of Labor Statistics. The indexes are accepted by the Internal Revenue Service, under § 1.472-1(k) of the Income Tax Regulations and Rev. Proc. 86-46 (1986-2 C.B. 739), for appropriate application to inventories of department stores employing the retail inventory and last-in, first-out inventory methods for tax years ended on, or with reference to, December 31, 2001.

The Department Store Inventory Price Indexes are prepared on a national basis and include (a) 23 major groups of departments, (b) three special combinations of the major groups — soft goods, durable goods, and miscellaneous goods, and (c) a store total, which covers all departments, including some not listed separately, except for the following: candy, food, liquor, tobacco, and contract departments.

BUREAU OF LABOR STATISTICS, DEPARTMENT STORE INVENTORY PRICE INDEXES BY DEPARTMENT GROUPS (January 1941 = 100, unless otherwise noted)

Groups	Dec. 2000	Dec. 2001	Percent Change from Dec. 2000 to Dec. 2001 ¹
1. Piece Goods -----	489.0	484.4	-0.9
2. Domestic and Draperies -----	614.5	591.0	-3.8
3. Women's and Children's Shoes -----	647.4	639.8	-1.2
4. Men's Shoes -----	901.8	889.1	-1.4
5. Infants' Wear -----	631.7	623.4	-1.3
6. Women's Underwear -----	567.2	569.0	0.3
7. Women's Hosiery -----	342.9	352.9	2.9
8. Women's and Girls' Accessories -----	533.8	557.4	4.4
9. Women's Outerwear and Girls' Wear -----	381.8	365.4	-4.3
10. Men's Clothing -----	584.0	564.3	-3.4
11. Men's Furnishings -----	618.3	595.3	-3.7
12. Boys' Clothing and Furnishings -----	487.8	473.6	-2.9
13. Jewelry -----	910.2	895.8	-1.6
14. Notions -----	795.1	817.8	2.9
15. Toilet Articles and Drugs -----	984.4	975.7	-0.9
16. Furniture and Bedding -----	692.8	625.9	-9.7
17. Floor Coverings -----	628.7	625.2	-0.6
18. Housewares -----	769.3	758.9	-1.4
19. Major Appliances -----	229.6	226.7	-1.3
20. Radio and Television -----	57.1	51.9	-9.1
21. Recreation and Education ² -----	91.8	87.9	-4.2
22. Home Improvements ² -----	129.3	124.2	-3.9
23. Auto Accessories ² -----	108.2	110.4	2.0

BUREAU OF LABOR STATISTICS, DEPARTMENT STORE
INVENTORY PRICE INDEXES BY DEPARTMENT GROUPS
(January 1941 = 100, unless otherwise noted)

Groups	Dec. 2000	Dec. 2001	Percent Change from Dec. 2000 to Dec. 2001 ¹
Groups 1 – 15: Soft Goods -----	589.8	575.7	-2.4
Groups 16 – 20: Durable Goods -----	433.9	417.1	-3.9
Groups 21 – 23: Misc. Goods ² -----	100.0	97.3	-2.7
Store Total ³ -----	531.7	517.2	-2.7

¹ Absence of a minus sign before the percentage change in this column signifies a price increase.

² Indexes on a January 1986=100 base.

³ The store total index covers all departments, including some not listed separately, except for the following: candy, food, liquor, tobacco, and contract departments.

DRAFTING INFORMATION

The principal author of this revenue ruling is Michael Burkom of the Office of Associate Chief Counsel (Income Tax and Accounting). For further information regarding this revenue ruling, contact Mr. Burkom at (202) 622-7718 (not a toll-free call).

Section 1031.—Exchange of Property Held for Productive Use or Investment

26 CFR 1.1031(k)-1: Treatment of deferred exchanges.

T.D. 8982

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Part 1

Definition of Disqualified Person

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations narrowing the definition of the term disqualified person for section 1031 like-kind exchanges. The amend-

ments in the regulations are in response to recent changes in the federal banking law, especially the repeal of section 20 of the Banking Act of 1933 (commonly referred to as the Glass-Steagall Act). The regulations will affect the eligibility of certain persons to serve as escrow holders of qualified escrow accounts, trustees of qualified trusts, and qualified intermediaries.

DATES: *Effective Date:* These regulations are effective February 1, 2002.

Dates of Applicability: These regulations apply to transfers of property made by a taxpayer on or after January 17, 2001.

FOR FURTHER INFORMATION CONTACT: Brendan O'Hara, (202) 622-4920 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

This document contains amendments to the Income Tax Regulations (26 CFR Part 1) under § 1.1031(k)-1. On January 17, 2001, the IRS and Treasury Department published in the **Federal Register** a notice of proposed rulemaking under section 1031 (REG-107175-00, 2001-13 I.R.B. 971) (66 FR 3924). The notice proposed to amend § 1.1031(k)-1(k) by narrowing the definition of the term *disqualified person*. Comments responding to the notice were received, and a public hear-

ing was held on June 5, 2001. After considering the comments received in response to the notice of proposed rulemaking and the statements made at the public hearing, the proposed regulations are adopted as revised by this Treasury decision. The comments and revisions are discussed below.

Explanation of Provisions

Under section 1031 and the regulations thereunder, taxpayers may use a qualified escrow account, qualified trust, or qualified intermediary to facilitate a like-kind exchange. A requirement common to qualified escrow accounts, qualified trusts, and qualified intermediaries is that the escrow holder, trustee, or intermediary may not be the taxpayer or a disqualified person.

Section 1.1031(k)-1(k) defines a disqualified person to include an agent of the taxpayer at the time of the transaction. An agent includes a person that has acted as the taxpayer's employee, attorney, accountant, investment banker or broker, or real estate agent or broker within two years of the taxpayer's transfer of relinquished property. However, in determining whether a person is a disqualified person, services provided by such person for the taxpayer with respect to section 1031 exchanges of property and routine financial, title insurance, escrow, or trust services provided to the taxpayer by a financial institution, title insurance company,

or escrow company are not taken into account. Under § 1.1031(k)-1(k)(4), a person that is related to a disqualified person, determined by using the attribution rules of sections 267(b) and 707(b), but substituting 10 percent for 50 percent, is also considered a disqualified person.

As a consequence of the Gramm-Leach-Bliley Act, Public Law 106-102 (Nov. 12, 1999), 113 Stat. 1341, and other changes in policy by the Federal Reserve System in recent years, many banks are, or are in the process of becoming, members of controlled groups that include investment banking and brokerage firms. These new relationships between banks and investment banking and brokerage firms may make it difficult for some banks to continue their traditional practices of providing qualified escrow, qualified trust, and qualified intermediary services without violating the disqualified person rules. To allow banks to continue to perform these services, the proposed regulations provide that a bank that is a member of a controlled group that includes an investment banking or brokerage firm as a member will not be a disqualified person merely because the related investment banking or brokerage firm provided services to an exchange customer within a two-year period ending on the date of the transfer of the relinquished property by that customer.

Treasury and the IRS received several comments on the proposed regulations. Some commentators argued that the proposed exception to the disqualified person rules would not fulfill its intended purpose, because most banks use non-bank subsidiaries or affiliates to serve as escrow holders of qualified escrow accounts, trustees of qualified trusts, or qualified intermediaries. These commentators recommended that the proposed exception be extended to apply to subsidiaries and affiliates of banks. In response to these comments, the final regulations extend the proposed exception to bank affiliates as well as banks. For this purpose, a bank affiliate is a non-bank corporation whose principal activity is rendering services to facilitate exchanges of property intended to qualify for nonrecognition of gain under section 1031 and all of whose outstanding stock is owned by either a bank or a bank holding company (within the meaning of section 2(a)

of the Bank Holding Company Act of 1956, 12 U.S.C. 1841(a)).

Some commentators noted the discrepancy between the effective date set forth in the text of the proposed regulations (*i.e.*, applicable to transfers of relinquished property on or after the date of the final regulations) and the effective date set forth in the Preamble to those regulations (*i.e.*, applicable to transfers of relinquished property on or after January 17, 2001). In response to the comments, the final regulations adopt the earlier of the two effective dates, and thus apply in the case of transfers of relinquished property made by a taxpayer on or after January 17, 2001.

Other commentators expressed opposition to the proposed regulations, requesting that the regulations be withdrawn. The commentators maintained that the existing regulations provide adequate exceptions to the definition of disqualified person, and that an exception for the banking industry will erode the integrity and purpose of the disqualified person concept.

Treasury and the IRS continue to believe that the amendment to the regulations is appropriate and necessary for the reasons articulated in the Preamble to the proposed regulations. Banks and their affiliates are closely regulated institutions that have historically acted as neutral and independent holders of funds. Treasury and the IRS do not believe that recent changes to federal banking laws are likely to impinge on this role to any significant degree.

Finally, one commentator requested that the final regulations include the exception from the disqualified person rule set forth in section 3.03 of Rev. Proc. 2000-37 (2000-2 C.B. 308). Rev. Proc. 2000-37, published to facilitate reverse like-kind exchanges, provides a safe harbor for the qualification under section 1031 of certain arrangements between taxpayers and exchange accommodation titleholders and provides for the treatment of the exchange accommodation titleholder as the beneficial owner of the property for federal income tax purposes. Section 3.03 of the revenue procedure provides that services performed for the taxpayer in connection with a person's role as the exchange accommodation titleholder are not taken into account in

determining whether that person or a related person is a disqualified person. Treasury and the IRS do not believe that this rule needs to be restated in these regulations. Consequently, the final regulations do not include the exception from the disqualified person rule set forth in Rev. Proc. 2000-37.

Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because these regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f) of the Internal Revenue Code, the notice of proposed rulemaking preceding these regulations was submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Drafting Information

The principal author of the regulations is Brendan O'Hara, Office of Associate Chief Counsel (Income Tax and Accounting). However, other personnel from the IRS and Treasury Department participated in the development of the regulations.

* * * * *

Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended as follows:

PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

Par 2. In § 1.1031(k)-1, paragraph (k)(4) is revised to read as follows:

§ 1.1031(k)-1 *Treatment of deferred exchanges.*

* * * * *

(k) * * *

(4)(i) Except as provided in paragraph (k)(4)(ii) of this section, the person and a person described in paragraph (k)(2) of this section bear a relationship described in either section 267(b) or 707(b) (determined by substituting in each section “10 percent” for “50 percent” each place it appears).

(ii) In the case of a transfer of relinquished property made by a taxpayer on or after January 17, 2001, paragraph (k)(4)(i) of this section does not apply to a bank (as defined in section 581) or a

bank affiliate if, but for this paragraph (k)(4)(ii), the bank or bank affiliate would be a disqualified person under paragraph (k)(4)(i) of this section solely because it is a member of the same controlled group (as determined under section 267(f)(1), substituting “10 percent” for “50 percent” where it appears) as a person that has provided investment banking or brokerage services to the taxpayer within the 2-year period described in paragraph (k)(2) of this section. For purposes of this paragraph (k)(4)(ii), a bank affiliate is a corporation whose principal activity is rendering services to facilitate exchanges of property intended to qualify for nonrecognition of gain under section 1031 and all of whose stock is owned by either a bank or a bank holding company (within

the meaning of section 2(a) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(a)).

* * * * *

Robert E. Wenzel,
*Deputy Commissioner of
Internal Revenue.*

Approved January 25, 2002.

Mark Weinberger,
*Assistant Secretary of
the Treasury.*

(Filed by the Office of the Federal Register on January 31, 2002, 8:45 a.m., and published in the issue of the Federal Register for February 1, 2002, 67 F.R. 4907)

Part III. Administrative, Procedural, and Miscellaneous

Low-Income Housing Tax Credit—2002 Calendar Year Resident Population Estimates

Notice 2002-13

This notice informs (1) state and local housing credit agencies that allocate low-income housing tax credits under § 42 of the Internal Revenue Code and (2) states and other issuers of tax-exempt private activity bonds under § 141, of the proper population figures to be used for calculating the 2002 calendar year population-based component of the state housing credit ceiling (Credit Ceiling) under § 42(h)(3)(C)(ii) and the 2002 calendar year volume cap (Volume Cap) under § 146.

The population figures both for the population-based component of the Credit Ceiling and for the Volume Cap are determined by reference to § 146(j). That section provides generally that determinations of population for any calendar year are made on the basis of the most recent census estimate of the resident population of a state (or issuing authority) released by the Bureau of the Census before the beginning of such calendar year.

The proper population figures for calculating the Credit Ceiling and the Volume Cap for the 2002 calendar year are the estimates of the resident population of the 50 states and the District of Columbia, released by the Bureau of the Census on December 28, 2001, in Press Release CB01-203. The proper population figures for calculating the Credit Ceiling and the Volume Cap for the 2002 calendar year for Puerto Rico are the estimates of the resident population for July 1, 2001, released by the Bureau of the Census on December 31, 2001, in Press Release CB01-205. The proper population figures for calculating the Credit Ceiling and the Volume Cap for the 2002 calendar year for the insular areas (American Samoa, Guam, Northern Mariana Islands, and U.S. Virgin Islands) are the figures released by the Bureau of the Census on July 3, 2001, in press release CB01-CN.1. For convenience, these estimates are reprinted below.

<i>Resident Population Figures</i>		<i>Resident Population Figures</i>	
Alabama	4,464,356	New Mexico	1,829,146
Alaska	634,892	New York	19,011,378
American Samoa	57,291	North Carolina	8,186,268
Arizona	5,307,331	North Dakota	634,448
Arkansas	2,692,090	Northern Mariana Islands	69,221
California	34,501,130	Ohio	11,373,541
Colorado	4,417,714	Oklahoma	3,460,097
Connecticut	3,425,074	Oregon	3,472,867
Delaware	796,165	Pennsylvania	12,287,150
D.C.	571,822	Puerto Rico	3,839,810
Florida	16,396,515	Rhode Island	1,058,920
Georgia	8,383,915	South Carolina	4,063,011
Guam	154,805	South Dakota	756,600
Hawaii	1,224,398	Tennessee	5,740,021
Idaho	1,321,006	Texas	21,325,018
Illinois	12,482,301	U.S. Virgin Islands	108,612
Indiana	6,114,745	Utah	2,269,789
Iowa	2,923,179	Vermont	613,090
Kansas	2,694,641	Virginia	7,187,734
Kentucky	4,065,556	Washington	5,987,973
Louisiana	4,465,430	West Virginia	1,801,916
Maine	1,286,670	Wisconsin	5,401,906
Maryland	5,375,156	Wyoming	494,423
Massachusetts	6,379,304	<p>The principal authors of this notice are Christopher J. Wilson, Office of the Associate Chief Counsel (Passthroughs and Special Industries) and Timothy L. Jones, Office of the Chief Counsel (Tax-Exempt and Government Entities). For further information regarding this notice, contact Mr. Wilson at (808) 539-2874 or Susan Reaman at (202) 622-3040 (not toll-free calls).</p>	
Michigan	9,990,817		
Minnesota	4,972,294		
Mississippi	2,858,029		
Missouri	5,629,707		
Montana	904,433		
Nebraska	1,713,235		
Nevada	2,106,074		
New Hampshire	1,259,181		
New Jersey	8,484,431		

Permission to Change to the Cash Method of Accounting

Notice 2002-14

Notice 2001-76 (2001-52 I.R.B. 613) sets forth a proposed revenue procedure that would permit certain small businesses with average annual gross receipts of \$10 million or less to use the cash receipts and disbursements method of accounting ("cash method") and to treat inventorable items as non-incidental materials and supplies ("materials and supplies method") with respect to eligible trades or businesses. Pursuant to the Commissioner's discretion under § 446(e) of the Internal Revenue Code, this notice provides that any qualifying small business taxpayer within the scope of the proposed revenue procedure ("small business taxpayer") may change to these methods of accounting with respect to its eligible trades or businesses for any taxable year ending on or after December 31, 2001.

Pending publication of a final revenue procedure in the Internal Revenue Bulletin, a small business taxpayer may obtain automatic consent to change to the cash method and the materials and supplies method by complying with the procedures provided in the proposed revenue procedure. These procedures state that a small business taxpayer may change to the cash method and the materials and supplies method for any taxable year ending on or after December 31, 2001, by attaching the original Form 3115, *Application for Change in Accounting Method*, to its timely filed (including extensions) federal income tax return for that year (or on an amended return filed within six months of the original due date of the return), filing a duplicate of the Form 3115 with the Internal Revenue Service's National Office, and complying with the provisions of Rev. Proc. 2002-9 (2002-3 I.R.B. 327) as modified by the proposed revenue procedure. Both changes may be made on a single Form 3115. A taxpayer that has fully complied with these procedures has obtained the consent of the Commissioner under § 446(e) to change its method of accounting to these methods.

DRAFTING INFORMATION

The principal author of this notice is Cheryl L. Oseekey of the Office of Associate Chief Counsel (Income Tax and Accounting). For further information regarding this notice, contact Ms. Oseekey at (202) 622-4970 (not a toll-free call).

Additional Disaster Relief for Taxpayers Affected by the September 11, 2001, Terrorist Attack

Notice 2002-15

PURPOSE

This notice supplements the tax relief granted in Notice 2001-61 (2001-40 I.R.B. 305) (October 1, 2001), and Notice 2001-68 (2001-47 I.R.B. 504) (November 19, 2001), for taxpayers affected by the September 11, 2001, Terrorist Attack by providing an additional postponement of time for certain affected taxpayers to apply for a tentative carryback adjustment under I.R.C. § 6411. The relief provided to taxpayers in this notice will apply retroactively to September 11, 2001.

GRANT OF RELIEF

Paragraph (3) of the Additional Grant of Relief section (Section C) of Notice 2001-68, granted to all affected taxpayers a 120-day postponement of time to perform the acts listed in Rev. Proc. 2001-53 (2001-47 I.R.B. 506) (November 19, 2001), if the last day to perform the act would otherwise fall within the period beginning on September 11, 2001, and ending on November 30, 2001 (the "window period"). One of the acts listed in Rev. Proc. 2001-53 is the application under section 6411 for a tentative carryback adjustment of the tax for a prior taxable year. To apply for a tentative carryback adjustment, corporate taxpayers must file Form 1139 and noncorporate taxpayers must file Form 1045 on or after the due date of the return for the taxable year that generates the net operating loss, net capital loss, or unused business credit from which the carryback results and within 12 months after the end of such

year. This procedure allows a taxpayer to obtain a refund without having to file an amended return for the year to which the taxpayer carries back the loss or credit. Normally, the twelve month period for filing for the tentative carryback falls after the filing due date even if the filing due date is extended for six months under section 6081. Taxpayers affected by the September 11, 2001, Terrorist Attack that received a filing extension and/or postponement under Notice 2001-61, however, now have a due date for the return that falls after the 12 month period provided by section 6411. In cases where the due date for filing for the tentative carryback under section 6411 falls outside the window period provided by section C, paragraph (3) of Notice 2001-68, such taxpayers would have to file for their tentative carryback before they filed the return for the year the loss or credit arose. To remedy this situation, this notice expands the relief provided by section C, paragraph (3) of Notice 2001-68 by providing affected taxpayers with an additional 120 days in which to file for their tentative carryback under section 6411 if Notice 2001-61 extended and/or postponed the due date of their income tax return.

For example, an affected individual income taxpayer who obtained an extension of time to file the 2000 tax return until October 15, 2001, would qualify for a 120-day postponement of time to file under Notice 2001-61 until February 12, 2002. Under section 6411, the last day the taxpayer could file Form 1045 would be December 31, 2001. This date is not within the period provided by Notice 2001-61. Thus, without this notice, the taxpayer would need to file Form 1045 before the return is due. Under this notice, however, the taxpayer will have an additional 120 days from December 31, 2001 (the last day for applying for the tentative carryback under section 6411), to file Form 1045.

Taxpayers who believe they are entitled to relief under this notice should mark "September 11, 2001 Terrorist Attack" in red ink on the top of their Form 1139 or 1045 submitted to the IRS. ***Taxpayers should not put this notation on envelopes.*** Doing so may result in a delay in the delivery or processing of the return or document.

DRAFTING INFORMATION

This notice was drafted by the Office of Associate Chief Counsel, Procedure and Administration (Administrative Provisions and Judicial Practice Division). For further information regarding this notice, you may call (202) 622-4940 (not a toll-free call).

*26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability.
(Also, Part 1, 280G.)*

Rev. Proc. 2002-13

SECTION 1. PURPOSE

This revenue procedure provides guidance for valuing stock options, including a safe harbor for valuing compensatory stock options for purposes of §§ 280G and 4999 of the Internal Revenue Code. The Internal Revenue Service will treat the value of a compensatory stock option determined in accordance with the requirements of this revenue procedure as properly determined for purposes of §§ 280G and 4999.

SECTION 2. BACKGROUND

Section 280G denies a deduction to a corporation for any excess parachute payment. An excess parachute payment is defined in § 280G(b)(1) as an amount equal to the excess of any parachute payment over the portion of the disqualified individual's base amount that is allocated to such payment.

Section 280G(b)(2)(A) defines a parachute payment as any payment in the nature of compensation to (or for the benefit of) a disqualified individual if such payment is (i) contingent on a change in the ownership of a corporation, the effective control of a corporation, or the ownership of a substantial portion of the assets of a corporation (a change in ownership or control), and (ii) the aggregate present value of the payments in the nature of compensation which are contingent on such change equals or exceeds an amount equal to 3 times the base amount. The term parachute payment also includes any payment in the nature of compensation to, or for the benefit of, a

disqualified individual if the payment is pursuant to an agreement that violates any generally enforced securities laws or regulations.

A payment in the nature of compensation for purposes of § 280G includes the transfer of an option (including an option to which § 421 applies), without regard to whether the option has a readily ascertainable fair market value within the meaning of § 83. The option is considered transferred not later than the time at which the option becomes substantially vested (within the meaning of § 1.83-3(b) and (j)).

An individual's base amount is, in general, the individual's average annualized includible compensation for the most recent 5 taxable years ending before the date of the corporation's change in ownership or control. For this purpose, the portion of the base amount allocated to a parachute payment is the amount that bears the same ratio to the base amount as the present value of the parachute payment bears to the aggregate present value of all such payments to the same disqualified individual.

Section 4999 imposes a 20-percent excise tax on the recipient of any excess parachute payment, within the meaning of § 280G(b).

Rev. Proc. 98-34 (1998-1 C.B. 983) provides a methodology for valuation of certain compensatory stock options for purposes of gift, estate, and generation-skipping transfer taxes. The methodology described in Rev. Proc. 98-34 is an option pricing model that takes into account factors similar to those established by the Financial Accounting Standards Board in Accounting for Stock-Based Compensation, Statement of Financial Accounting Standards No. 123 (Fin. Accounting Standards Bd. 1995 (FAS 123)). This methodology applies only to the valuation of a nonpublicly traded compensatory stock option for stock that, on the valuation date, is publicly traded on an established securities market.

SECTION 3. STOCK OPTION VALUATION

.01 In general, a taxpayer may value a compensatory stock option using any valuation method that is consistent with generally accepted accounting principles

(such as FAS 123) and that takes into account the factors provided in § 1.280G-1, Q&A 13. A valuation using the valuation safe harbor method provided in Section 4 is considered consistent with generally accepted accounting principles for purposes of §§ 280G and 4999 and this revenue procedure.

.02 If the stock option is one that could otherwise be valued under Rev. Proc. 98-34 because the stock option is one that satisfies the definition of "Compensatory Stock Option" under section 3 of Rev. Proc. 98-34, then, for purposes of §§ 280G and 4999 and this revenue procedure, the valuation is not considered consistent with generally accepted accounting principles unless the valuation is made in accordance with Rev. Proc. 98-34 or the valuation safe harbor method provided in section 4 of this revenue procedure.

SECTION 4. VALUATION SAFE HARBOR

.01 *In general.* The safe harbor valuation method provided by this revenue procedure is based on the Black-Scholes model and takes into account, as of the valuation date, the following factors: (1) the volatility of the underlying stock, (2) the exercise price of the option, (3) the value of the stock at the time of the valuation (the "spot price"), and (4) the term of the option on the valuation date. The safe harbor value of the option is calculated as the number of options multiplied by the spot price of the stock multiplied by a valuation factor determined using the factors described above and reflected in the table in the Appendix. Other relevant factors, including risk-free rate of interest and assumptions related to dividend yields are included in the table in the Appendix. To determine the valuation factor, the taxpayer must determine the volatility, spread, and option term factors, as described below. To rely on this revenue procedure, assumptions made for purposes of this revenue procedure and the determination of each factor must be reasonable and consistent with assumptions made with respect to other options valued in connection with the change in ownership or control.

.02 *Volatility.* The taxpayer must determine whether the volatility of the underlying stock is low, medium, or high. For

this purpose, a low volatility stock has an annual standard deviation of 30 percent or less. A medium volatility stock has an annual standard deviation greater than 30 percent but less than 70 percent. A high volatility stock has an annual standard deviation of 70 percent or greater. If the stock is publicly traded on an established securities market (or otherwise), the expected volatility of the underlying stock used for purposes of volatility under this revenue procedure must be the volatility used for purposes of complying with FAS 123 and disclosed in the most recent financial statements of the corporation. If the stock is not publicly traded on an established securities market or otherwise, but the stock is required to be registered under the Securities Exchange Act of 1934, the volatility for such stock is assumed to be the same as the volatility for a comparable corporation that is publicly traded. For this purpose, whether a corporation is considered comparable is determined by comparing relevant characteristics such as industry, corporate size, earnings, market capitalization, and debt-equity structure. If the stock is not publicly traded and the corporation is not required to register under the Securities Exchange Act of 1934, the taxpayer must assume medium volatility. If the stock is not required to be registered under the Securities Exchange Act of 1934, but the corporation voluntarily registers its stock and its stock is publicly traded, the corporation must use the volatility of the underlying stock.

.03 *Spread between exercise price and spot price.* The factor based on the spread between the exercise price and the spot price is calculated by dividing the spot price by the exercise price and subtracting 1. If the stock is not publicly traded, the determination of the spot price for this

purpose must be reasonable and consistent with the price, if any, otherwise determined for the stock in connection with the transaction giving rise to the change in control under § 280G(b)(2)(A). For purposes of determining the factor based on spread between the exercise price and the spot price under the table in the Appendix, the resulting percentage may be rounded down to the next lowest interval. If this factor exceeds 220%, this safe harbor valuation method cannot be used to value the stock option.

.04 *Maximum term of the option.* The term of the option is the number of full months between the date of the valuation and the latest date on which the option will expire. For purposes of determining the term factor under the table, the number of full months may be rounded down to the next lowest six-month interval. If the term of the option exceeds 10 years (120 months), then this safe harbor valuation method cannot be used to value the stock option.

.05 *Example.* Corporation A undergoes a change in ownership or control within the meaning of § 280G(b)(2). Contingent on the change in ownership or control, Employee E, a disqualified individual, vests in 100 stock options in Corporation A stock, each of which has a remaining term of 60 months after vesting. The volatility for Corporation A is 50%. Therefore, the stock has medium volatility. At the time of the change in ownership or control, the value of the stock is \$24 (the spot price). The exercise price under each of Employee E's options is \$20. Therefore, the factor based on spread is 20% (24/20 - 1). The value of the options under the safe harbor valuation method described in section 4 of this revenue procedure is \$1,219.20 computed as follows: 100 options times the spot price

of \$24 times 50.8% (the factor in the table in the Appendix for a medium volatility stock with a 20% spread factor and a 60-month term). Corporation A is permitted to use this value as the value of the payment under § 1.280G-1, Q&A-13.

SECTION 5. REQUEST FOR COMMENTS

Comments are requested regarding safe harbor valuation method described in this revenue procedure. All comments will be available for public inspection and copying. Comments must be submitted by June 5, 2002. Comments should be sent to CC:ITA:RU (Rev. Proc. 2002-13), room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Comments may also be hand delivered between the hours of 8 a.m. and 5 p.m. to: CC:ITA:RU (Rev. Proc. 2002-13), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue NW, Washington, DC. In the alternative, e-mail your comments to: Notice.Comments@irs.counsel.treas.gov.

SECTION 6. EFFECTIVE DATE

This revenue procedure is effective April 26, 2002.

SECTION 7. DRAFTING INFORMATION

The principal author of this revenue procedure is Erinn Madden of the Office of the Division Counsel/Associate Chief Counsel (Tax Exempt and Government Entities). However, other personnel from the IRS and Treasury Department participated in its development. For further information regarding this revenue procedure, contact Ms. Madden at (202) 622-6060 (not a toll-free call).

Appendix

	Term (months)	12	24	36	48	60	72	84	96	108	120
Volatility	Spread Factor*										
Low	200%	67.3%	67.9%	68.4%	69.0%	69.5%	69.9%	70.3%	70.7%	71.0%	71.2%
	180%	65.0%	65.7%	66.4%	67.1%	67.7%	68.3%	68.8%	69.3%	69.6%	69.9%
	160%	62.4%	63.3%	64.1%	65.0%	65.8%	66.5%	67.1%	67.7%	68.1%	68.5%
	140%	59.4%	60.4%	61.5%	62.5%	63.5%	64.4%	65.1%	65.8%	66.4%	66.9%
	120%	55.8%	57.1%	58.4%	59.7%	60.9%	62.0%	62.9%	63.7%	64.5%	65.1%
	100%	51.5%	53.2%	54.8%	56.4%	57.9%	59.1%	60.3%	61.3%	62.2%	63.0%

	Term (months)	12	24	36	48	60	72	84	96	108	120
Volatility	Spread Factor*										
Low	80%	46.3%	48.5%	50.6%	52.6%	54.3%	55.9%	57.3%	58.5%	59.6%	60.5%
	60%	40.0%	42.9%	45.6%	48.0%	50.1%	52.0%	53.7%	55.2%	56.5%	57.6%
	40%	32.3%	36.3%	39.7%	42.6%	45.2%	47.4%	49.4%	51.2%	52.7%	54.1%
	20%	23.3%	28.5%	32.7%	36.2%	39.3%	41.9%	44.3%	46.4%	48.2%	49.9%
	0%	13.6%	19.9%	24.7%	28.8%	32.3%	35.4%	38.1%	40.5%	42.7%	44.7%
	-20%	5.4%	11.2%	16.1%	20.4%	24.2%	27.6%	30.6%	33.4%	35.9%	38.1%
	-40%	0.9%	4.1%	7.9%	11.6%	15.2%	18.5%	21.7%	24.6%	27.3%	29.9%
	-60%	0.0%	0.6%	2.0%	4.0%	6.4%	9.0%	11.6%	14.3%	16.8%	19.3%
Medium	200%	67.4%	68.6%	69.9%	71.1%	72.2%	73.1%	73.9%	74.5%	75.0%	75.4%
	180%	65.2%	66.7%	68.2%	69.6%	70.9%	71.9%	72.8%	73.5%	74.1%	74.6%
	160%	62.7%	64.5%	66.3%	68.0%	69.4%	70.6%	71.6%	72.5%	73.2%	73.7%
	140%	59.8%	62.0%	64.2%	66.1%	67.7%	69.1%	70.3%	71.2%	72.0%	72.7%
	120%	56.4%	59.2%	61.7%	63.9%	65.8%	67.4%	68.8%	69.9%	70.8%	71.6%
	100%	52.5%	55.9%	58.9%	61.5%	63.7%	65.5%	67.0%	68.3%	69.4%	70.3%
	80%	47.9%	52.2%	55.7%	58.7%	61.2%	63.2%	65.0%	66.5%	67.7%	68.8%
	60%	42.6%	47.8%	52.0%	55.4%	58.3%	60.6%	62.7%	64.3%	65.8%	67.0%
	40%	36.3%	42.7%	47.6%	51.6%	54.8%	57.6%	59.9%	61.8%	63.5%	64.9%
	20%	29.1%	36.8%	42.5%	47.0%	50.8%	53.9%	56.5%	58.8%	60.7%	62.3%
	0%	21.2%	30.0%	36.4%	41.6%	45.8%	49.4%	52.4%	55.0%	57.2%	59.1%
	-20%	13.0%	22.2%	29.2%	34.9%	39.7%	43.7%	47.2%	50.2%	52.8%	55.0%
	-40%	5.7%	13.8%	20.8%	26.8%	32.0%	36.4%	40.4%	43.8%	46.8%	49.5%
	-60%	1.2%	5.9%	11.4%	16.9%	22.1%	26.7%	31.0%	34.8%	38.3%	41.4%
High	200%	68.1%	70.7%	73.1%	75.0%	76.6%	77.8%	78.8%	79.5%	80.0%	80.4%
	180%	66.1%	69.1%	71.7%	73.9%	75.6%	77.0%	78.1%	78.9%	79.5%	79.9%
	160%	63.8%	67.3%	70.3%	72.7%	74.6%	76.1%	77.3%	78.2%	78.9%	79.4%
	140%	61.3%	65.3%	68.6%	71.3%	73.4%	75.1%	76.4%	77.4%	78.2%	78.8%
	120%	58.3%	63.0%	66.8%	69.7%	72.1%	73.9%	75.4%	76.6%	77.4%	78.1%
	100%	55.0%	60.4%	64.6%	67.9%	70.6%	72.6%	74.3%	75.6%	76.6%	77.3%
	80%	51.1%	57.4%	62.2%	65.9%	68.8%	71.1%	73.0%	74.4%	75.6%	76.5%
	60%	46.6%	54.0%	59.4%	63.5%	66.8%	69.4%	71.4%	73.1%	74.4%	75.4%
	40%	41.4%	50.0%	56.1%	60.7%	64.4%	67.3%	69.6%	71.5%	73.0%	74.2%
	20%	35.4%	45.3%	52.1%	57.4%	61.5%	64.8%	67.4%	69.6%	71.3%	72.7%
	0%	28.5%	39.6%	47.4%	53.3%	57.9%	61.6%	64.7%	67.1%	69.1%	70.8%
	-20%	20.8%	32.9%	41.5%	48.1%	53.4%	57.6%	61.1%	64.0%	66.4%	68.3%
	-40%	12.7%	24.8%	34.0%	41.4%	47.3%	52.2%	56.3%	59.7%	62.5%	64.8%
	-60%	5.2%	15.2%	24.3%	32.1%	38.8%	44.4%	49.1%	53.2%	56.6%	59.5%

*Strike Price/Exercise Price - 1 or (S/X-1)

Part IV. Items of General Interest

Notice of Proposed Rulemaking

Definition of Agent for Certain Purposes

REG-120135-01

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: This document contains proposed regulations relating to the definition of agent for certain purposes. The proposed regulations clarify that the term agent in certain provisions of section 6103 of the Internal Revenue Code includes contractors.

DATES: Written and electronic comments and requests for a public hearing must be received by May 1, 2002.

ADDRESSES: Send submissions to CC:ITA:RU (REG-120135-01), room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be delivered Monday through Friday between the hours of 8 a.m. and 5 p.m. to CC:ITA:RU (REG-120135-01), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC. Alternatively, taxpayers may submit comments electronically via the Internet by selecting the "Tax Regs" option on the IRS Home Page, or by submitting comments directly to the IRS Internet site: http://www.irs.ustreas.gov/tax_regs/regslst.html.

FOR FURTHER INFORMATION CONTACT: Helene R. Newsome, 202-622-4580 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

Generally, returns and return information are confidential under section 6103 of the Internal Revenue Code (Code) unless a specific statutory exception applies. In cases of non-tax-related disclosures, returns and return information

generally may only be disclosed to officers and employees of federal, state, and local government agencies, and not to contractors or agents of such agencies. In certain limited circumstances, however, Congress has permitted disclosures to agents of these agencies. See sections 6103(l)(6)(B), 6103(l)(12), 6103(m)(2), 6103(m)(4), 6103(m)(5), and 6103(m)(7).

This document contains proposed regulations that clarify that the term agent in sections 6103(l) and (m) includes contractors. Clarification that the term agent includes contractors is necessary for the purpose of bringing certain statutory grants of disclosure authority into alignment with the reality of many agencies' operations. Agencies generally procure the services of third parties under public contracting laws, which do not necessarily correlate with common law concepts of agent. This clarification is also consistent with Congressional intent. For example, the Senate Finance Committee, in amending section 6103(m)(2), stated, "Agents are those who are engaged directly in performing or assisting in collection functions for the federal government, presumably, private collection agencies who have contracted with the government to collect claims..." S. Rep. No. 97-378, at 15 (1982).

This clarification does not provide any new disclosure authority, nor does it authorize the disclosure of return information to contractors that Congress has not previously specifically authorized in the Code. With regard to protection of taxpayer data, agents/contractors are subject to safeguard requirements, redisclosure prohibitions, and civil and criminal penalties for unauthorized disclosures. Accordingly, the proposed regulations do not have an impact on taxpayer privacy.

Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) and the Regulatory Flexibility Act (5 U.S.C. chapter 6) do not apply to these regulations, and, therefore, a Regulatory Flexibility Analy-

sis is not required. Pursuant to section 7805(f), this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small businesses.

Comments and Request for a Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any electronic and written comments (a signed original and eight (8) copies) that are submitted timely to the IRS. The IRS and Treasury Department request comments on the clarity of the proposed rule and how it may be made easier to understand. All comments will be available for public inspection and copying. A public hearing may be scheduled if requested in writing by a person that timely submits written comments. If a public hearing is scheduled, notice of the date, time, and place for the hearing will be published in the **Federal Register**.

Drafting Information

The principal author of these regulations is Helene R. Newsome, Office of the Associate Chief Counsel (Procedure & Administration), Disclosure & Privacy Law Division.

* * * * *

Proposed Amendments to the Regulations

Accordingly, 26 CFR part 301 is proposed to be amended as follows:

PART 301—PROCEDURE AND ADMINISTRATION

Paragraph 1. The authority citation for part 301 is amended by adding an entry in numerical order to read as follows:

Authority: 26 U.S.C. 7805 ***

Section 301.6103(l)-1 also issued under 26 U.S.C. 6103(q);***

Section 301.6103(m)-1 also issued under 26 U.S.C. 6103(q);***

Par. 2. Section 301.6103(l)-1 is added to read as follows:

§ 301.6103(l)–1 Disclosure of returns and return information for purposes other than tax administration.

(a) *Definition.* For purposes of applying the provisions of section 6103(l) of the Internal Revenue Code, the term *agent* includes a contractor.

(b) *Effective date.* This section is applicable on or after the date of publication of the Treasury decision adopting these regulations as final regulations in the **Federal Register**.

Par. 3. Section 301.6103(m)–1 is added to read as follows:

§ 301.6103(m)–1 Disclosure of taxpayer identity information.

(a) *Definition.* For purposes of applying the provisions of section 6103(m) of the Internal Revenue Code, the term *agent* includes a contractor.

(b) *Effective date.* This section is applicable on or after the date of publication of the Treasury decision adopting these regulations as final regulations in the **Federal Register**.

Robert E. Wenzel,
*Deputy Commissioner of
Internal Revenue.*

(Filed by the Office of the Federal Register on January 31, 2002, 8:45 a.m., and published in the issue of the Federal Register for February 1, 2002, 67 F.R. 4938)

List of Nonbank Trustees and Custodians

Announcement 2002–12

The following is a list of entities that have been approved by the Commissioner of the Internal Revenue Service, pursuant to § 1.408–2(e) of the Income Tax Regulations, to serve as a nonbank trustee or custodian.

Archer medical savings accounts (Archer MSAs) established under § 220 of the Internal Revenue Code, custodial accounts of a pension plan qualified under § 401, custodial accounts described in § 403(b)(7), trust or custodial accounts of individual retirement accounts (IRAs) established under §§ 408(a), 408A (Roth IRAs), or 530 (Coverdell Education Sav-

ings Accounts), and custodial accounts of eligible deferred compensations plans described in § 457(b) will not be tax exempt if the trustee or custodian of such accounts is not a bank (as defined in § 408(n)) (and in the case of Archer MSAs a bank within the meaning of § 408(n) or an insurance company within the meaning of § 816) or an approved nonbank trustee or custodian.

An entity that is not a bank, as defined in § 408(n), must receive approval from the Service to serve as a nonbank trustee or nonbank custodian. A prospective nonbank trustee or custodian must file a written application with the Commissioner of Internal Revenue demonstrating that the requirements of § 1.408–2(e)(2) through § 1.408–2(e)(7) of the regulations will be met. If the application is approved, a written notice of approval will be issued to the applicant. The notice of approval will state the day on which it becomes effective, and (except as otherwise provided therein) will remain effective until revoked by the Service or withdrawn by the applicant. Entities that have received such approval from the Service may also sponsor certain retirement plans, custodial accounts under § 403(b)(7) of the Code and individual retirement arrangements established under § 408. (See Rev. Proc. 2000–20, 2000–6 I.R.B. 553, and Rev. Proc. 87–50, 1987–2 C.B. 647, as modified.)

A prospective nonbank trustee or custodian may not accept any fiduciary account before such notice of approval becomes effective. In addition, a nonbank trustee or custodian may not accept a fiduciary account until after the plan administrator or the person for whose benefit the account is to be established is furnished with a copy of the written notice of approval issued to the applicant.

The continued reliance on a notice of approval is dependent upon the continued satisfaction of the nonbank trustee requirements set forth in the regulations. The notice of approval issued to an applicant will be revoked if the Commissioner determines that the applicant is unwilling or unable to administer fiduciary accounts in a manner consistent with the requirements of the regulations. Generally, the notice will not be revoked unless the Commissioner determines that the applicant has knowingly, willfully, or repeatedly failed to administer fiduciary accounts in a manner consistent with the

requirements of the regulations, or has administered a fiduciary account in a grossly negligent manner.

The written notice of approval to serve as a nonbank trustee or nonbank custodian is not an endorsement of any investment made with respect to any retirement plan or arrangement handled by the approved nonbank trustee or custodian. The Internal Revenue Service does not review or approve investments.

If the trustee or custodian of an account described above is not a bank or an approved nonbank trustee or nonbank custodian, the amounts held in such account (including earned interest) will be deemed distributed and includible in gross income in the year(s) the account's trustee or custodian was not a bank or an approved nonbank trustee or nonbank custodian. Contributions made to such account are not deductible from gross income and will be disallowed if claimed on an income tax return.

This list of approved nonbank trustees and nonbank custodians includes their names, addresses, and the date each application was approved.

If an approved nonbank trustee or custodian believes that the information about it is incorrect, incomplete, or that it has been incorrectly omitted from this list, it may, on or before April 26, 2002, which is 60 days from the date of the publication of this list in the Internal Revenue Bulletin, notify the Service in writing of any changes it proposes to the list. This notification should include a copy of the approval letter.

The notification should be addressed to:

Internal Revenue Service
T:EP:RA:T1
Announcement 2002–12
1111 Constitution Ave., NW
Washington, DC 20224

Drafting Information

The principal author of this announcement is Calvin Thompson of the Employee Plans, Tax Exempt and Government Entities Division. Please contact Mr. Thompson at 1–202–283–9596 (not a toll-free number), if there are any questions regarding the publication of this list. Written inquiries concerning this announcement should be addressed to the Internal Revenue Service at the above address.

APPROVED Nonbank Trustees/Custodians as of December 31, 2001

Name	Address	Approval Date	Name	Address	Approval Date
1. A.B. Culbertson & Co.	1250 Continental Plaza Fort Worth, TX 76102	May 15, 1984	18. Bank Hapoulim B.M.	6501 Wilshire Blvd. Los Angeles, CA 90048	May 15, 1986
2. A.G. Becker & Co.	Chicago, IL	December 12, 1979	19. Bank Julius Baer & Co., LTD	330 Madison Avenue New York, NY 10017	December 15, 1988
3. A.G. Edwards & Sons, Inc.	One North Jefferson St. Louis, MO 63103	November 26, 1980	20. Bank Leumi Le - Israel B.N. Western Hemisphere Regional Mgt.	242 Fifth Avenue New York, NY 10022	February 10, 1982
4. ABN AMRO Securities LLC	55 East 52nd Street New York, NY 10022	September 7, 2000	21. Bartlett & Co.	36 East Fourth Street Cincinnati, OH 45202	February 1, 1989
5. Adler, Coleman Clearing Corp.	20 Broad St. New York, NY 10005	April 7, 1987	22. Bear, Stearns & Co., Inc.	5 Hanover Square New York, NY 10004	June 2, 1986
6. Advanced Clearing, Inc.	4211 South 102nd Street Omaha, NE 68127-1031	April 18, 1984	23. Bear, Sterns, Securities Corp.	2 Broadway 12th Floor New York, NY 10004	June 24, 1991
7. Advest, Inc.	280 Trumbull Street Hartford, CT 06103	January 24, 1989	24. Berklee College of Music, Inc.	1140 Boylston Street Boston, MA 02110	May 9, 1989
8. Aisel & Co.	20 Broad Street New York, NY 10005	April 26, 1991	25. BHC Securities, Inc.	100 N. 20th Street Suite 401 Philadelphia, PA 19103	November 15, 1984
9. American Brokerage Services, Inc.	131 Lafayette Ave. Detroit, MI 48226	September 18, 1991	26. Blunt Ellis & Loewi, Inc.	225 East Mason Street Milwaukee, WI 53202	January 25, 1982
10. American Capital Marketing, Inc. (formerly, American General Capital)	2777 Allen Parkway Houston, TX 77215	June 25, 1984	27. BNY Clearing Services, LLC (FKA Kemper Clearing)	111 East Kilbourn Milwaukee, WI 53202	August 21, 1989
11. American Express Financial Corp.	IDS Tower 10 Minneapolis, MN 55440	August 12, 1977	28. Boettcher & Company, Inc.	828 Seventeenth Street Denver, CO 80201	August 10, 1987
12. American Heritage Life Ins. Co.	76 South Laura Street Jacksonville, FL 32202	December 11, 1984	29. Brown & Company Securities Corporation	20 Winthrop Square Boston, MA 02110	February 27, 1985
13. American Transtech, Inc.	8000 Baymeadows Way Jacksonville, FL 32256	August 15, 1990	30. Bruns, Nordeman, Rea & Co.	New York, NY	October 31, 1977
14. Analytic Investment Management	2222 Martin Street Suite 230 Irvine, CA 92715-1454	May 9, 1989	31. BT Alex. Brown, Incorporated	Bankers Trust Plaza 130 Liberty Street New York, NY 10006	September 1, 1997
15. Aspen Partnership	1895 Claremont Road Hoffman Estates, IL 60195	October 25, 1990	32. Burke, Christensen & Lewis Securities, Inc.	120 S. LaSalle Street Suite 940 Chicago, IL 60603	March 11, 1986
16. B.C. Ziegler & Co.	215 North Main Street West Bend, WI 53095	September 27, 1985	33. Burton J. Vincent, Chesley & Co.	105 West Adams Street Chicago, IL 60603	March 25, 1982
17. Banc One Capital Corporation	P.O. Box 18277 90 North High Street Columbus, OH 43218	February 24, 1992	34. Butler Wick & Co., Inc.	City Center One Bldg. Youngstown, OH 44501	October 8, 1992

Name	Address	Approval Date	Name	Address	Approval Date
35. BUYandHold Securities Corporation	110 Wall Street New York, NY 10005	October 5, 2000	53. Deutsche Bank Securities Corp. d.b.a. C.J. Lawrence Deutsche	1290 Avenue of the Americas New York, NY 10104	March 14, 1980
36. Carolina Securities Corp.	239 Fayetteville St. Raleigh, NC 27602	August 29, 1983	54. Discover Brokerage Direct, Inc.	333 Market Street 25th Floor San Francisco, CA 94105-3407	June 11, 1998
37. Chapin, Davis & Company, Inc.	3 Village Square Cross Keys Baltimore, MD 21210	December 7, 1983	55. Donaldson, Lufkin & Jenrette Securities Corp.	140 Broadway New York, NY 10005	December 4, 1985
38. Charles Schwab & Co., Inc.	101 Montgomery Street San Francisco, CA 94104	January 8, 1982	56. Dougherty, Dawkins, Strand & Yost, Inc.	100 South Fifth Street Suite 2300 Minneapolis, MN 55402	February 22, 1986
39. Christian & Missionary Alliance	P.O. Box C Nyack, NY 10960	August 15, 1985	57. Dreyfus Investment Services, Corp.	Two Mellon Bank Center Pittsburgh, PA 15259	May 18, 1989
40. CIBC World Markets Corporation	200 Liberty Street New York, NY 10281	July 26, 1977	58. Duncan-Williams, Inc.	5860 Ridgeway Center Parkway Memphis, TN 38120	December 13, 1995
41. City Securities Corp.	135 North Pennsylvania Street Indianapolis, IN 46204	December 21, 1982	59. E*Trade Securities, Inc.	480 California Avenue Palo Alto, CA 94306	February 1, 1996
42. Commerce First Thrift	Midvale, UT 84047	May 25, 1978	60. Eads Generoe Trust	St. Louis, MO	February 3, 1977
43. Comprehensive Investment Services, Inc.	One Moody Plaza Galveston, TX 77550	June 16, 2000	61. Edward D. Jones & Co.	201 Progress Parkway Maryland Height, MO 63043	May 30, 1985
44. Continental Trust Co.	17110 Dallas Parkway Suite 200 Dallas, TX 75248	February 22, 1977	62. El Paso Electric Co.	P.O. Box 982 El Paso, TX 79960	June 15, 1983
45. D. A. Davidson & Co.	Davidson Building #8 Third Street North Great Falls, MT 59403	June 11, 1982	63. Elan Investment Services, Inc.	777 East Wisconsin Avenue Milwaukee, WI 53282	December 21, 1987
46. D.J. St. Germain, Inc.	1500 Main Street Springfield, MA 01115	January 1, 1977	64. Emmett A. Larkin Co., Inc.	100 Bush Street San Francisco, CA 94104	April 17, 1986
47. Dain Rauscher, Incorporated	Dain Rauscher Plaza 60 South Sixth Street Minneapolis, MN 55402-4422	March 2, 1998	65. Eppler, Guerin & Turner, Inc.	2001 Bryan Tower Suite 2300 Dallas, TX 75201	September 6, 1984
48. Dain Rauscher, Inc.	Dain Rauscher Plaza 60 South Sixth Street Minneapolis, MN 55402-4422	January 22, 1982	66. EVEREN Securities, Inc.	77 West Wacker Drive Chicago, IL 60601-1694	November 19, 1998
49. Davenport & Co. of Virginia, Inc.	901 E. Cary Street Richmond, VA 23219	February 2, 1987	67. Fahnestock & Co., Inc. (formerly Edward A. Viner & Co.)	110 Wall Street New York, NY 10005	April 15, 1982
50. Davenport & Company, LLC	901 East Cary Street Richmond, VA 23219	March 31, 1997	68. Fechter, Detwiler & Co., Inc.	155 Federal Street Boston, MA 02110	March 26, 1982
51. DB Alex. Brown, LLC	1 South Street Baltimore, MD 21202	April 11, 1994	69. Ferris, Baker Watts, Inc. (formerly Ferris & Company)	1720 Eye Street, NW Washington, DC 20006	December 4, 1987
52. Deutsche Banc Alex. Brown, Inc.	1 South Street Baltimore, MD 21202	January 12, 2001	70. Financial Data Services, Inc.	400 Atrium Drive Somerset, NJ 08873	November 14, 1990

Name	Address	Approval Date	Name	Address	Approval Date
71. First Albany Corp.	41 State Street Albany, NY 12207	September 26, 1979	89. H.M. Payson & Co.	One Portland Square P.O. Box 31 Portland, ME 04112	August 20, 1987
72. First Clearing Corporation	10700 Wheat First Drive Glen Allen, VA 23060	April 21, 1999	90. Halpert and Company, Inc.	284 Millburn Avenue Millburn, NJ 07041	April 17, 1996
73. First Illinois Capital Corp.	424 7th Street Plaza 7 Rockford, IL 61110	May 27, 1982	91. Hamilton Investments, Inc. (formerly Illinois Company, Inc.)	30 North La Salle Street Chicago, IL 60602	August 6, 1982
74. First Investors Corp.	120 Wall Street New York, NY 10005	April 19, 1982	92. Hampshire Funding, Inc.	One Granite Place P.O. Box 2005 Concord, NH 03301	May 26, 1988
75. First Manhattan Co.	437 Madison Avenue New York, NY 10022	January 26, 1990	93. Hanifen, Imhoff Clearing Corp.	1125 17th Street Denver, CO 80217	April 22, 1997
76. First of Michigan Corporation	100 Renaissance Center 26th Floor Detroit, MI 48243	August 31, 1994	94. Hanifen, Imhoff, Inc.	1125 17th Street Suite 1700 Denver, CO 80202	December 3, 1985
77. Fleet Clearing Corporation	67 Wall Street New York, NY 10005	December 3, 1986	95. Hartford Life Insurance Co.	Hartford Plaza Hartford, CT 06106	March 3, 1982
78. Fleet Norstar Securities, Inc.	14 Wall Street New York, NY 10005	August 30, 1991	96. Hazlett, Burt & Watson, Inc.	1300 Chapline Street Wheeling, WV 26003	April 11, 1995
79. Folger, Nolan, Fleming & Douglass	725 15th Street, N.W. Washington, DC 20015	September 16, 1981	97. Heartland Securities, Inc.	208 South LaSalle Street Chicago, IL 60604	March 6, 1984
80. Freedom Capital Management Corporation	One Beacon Street Boston, MA 02108	August 29, 1991	98. Henry Scott, Inc.	Philadelphia, PA	March 23, 1982
81. Freeman Welwood & Co., Inc.	1501 Fourth Avenue Suite 1700 Seattle, WA 98101	February 13, 1996	99. Herzfeld & Stern, Inc.	30 Broad Street New York, NY 10004	December 12, 1984
82. G.T. Global Investors Services, Inc.	50 California Street San Francisco, CA 94111	May 27, 1994	100. Herzog, Heine, Geduld, Inc.	26 Broadway New York, NY 10004	February 11, 1982
83. General Conference of the Mennonite Brethren Churches Board of Trustees	315 South Lincoln Hillsboro, KS 67063	March 8, 1983	101. Holt & Collins	188 Embarcadero Suite 760 San Francisco, CA 94105	September 8, 1988
84. Goldman, Sachs & Co.	85 Broad Street New York, NY 10004	December 8, 1982	102. Home Life Financial Assurance Corporation	2400 West Bay Drive Largo, FL 33540	November 13, 1986
85. Greek Catholic Union of the U.S.A.	5400 Tuscarawas Rd. Beaver, PA 15009-9513	May 24, 2000	103. Howard, Weil, Labouisse, Friedrichs, Inc.	1100 Paydrus Street Suite 900 New Orleans, LA 70163	December 28, 1987
86. Gruntal & Co, Inc.	14 Wall Street New York, NY 10005	June 13, 1984	104. Howe Barnes Investments, Inc.	135 S. LaSalle Street Chicago, IL 60603	July 6, 1994
87. H&R Block Financial Advisors, Inc.	735 Griswold Street Detroit, MI 48226	December 8, 1983	105. Huntleigh Securities Corporation	222 South Central Avenue St. Louis, MO 63102	October 22, 1997
88. H.G. Wellington & Co., Inc.	14 Wall Street New York, NY 10005	September 13, 1993	106. I.M. Simon & Co.	7730 Forsyth Blvd. Clayton, MO 63105	November 3, 1981

Name	Address	Approval Date	Name	Address	Approval Date
107. iClearing, LLC	100 Wood Avenue South Iselin, NJ 08830	February 7, 2001	125. Lester Sumrall Evangelistic Association, Inc.	530 East Ireland Road South Bend, IN 46614	September 2, 1988
108. Investment Advisers, Inc.	1100 Dain Tower Minneapolis, MN 55440	October 9, 1981	126. Liberty Life Insurance Co.	P.O. Box 789 Greenville, SC 29602	September 3, 1982
109. Isler, Colling & McAdams	Portland, OR	October 5, 1978	127. Manley, Bennett, McDonald & Co.	St. Louis, MO	January 1, 1977
110. J.C. Bradford & Co.	330 Commerce Street Nashville, TN 37201	February 28, 1982	128. McDonald & Company Securities, Inc.	580 Walnut Street Cincinnati, OH 45202	December 15, 1983
111. J.J.B. Hilliard, W.L. Lyons, Inc.	Hilliard Lyons Center 501 South Fourth St. Louisville, KY 40202	February 11, 1992	129. MEGA Life and Health Insurance Company (The)	501 West Interstate 44 Service Road Oklahoma City, OK 73118	May 29, 1991
112. J.W. Charles Clearing Corp.	980 North Federal Highway Suite 210 Boca Raton, FL 33432	March 1, 1994	130. Menold, Crawford, Hippler & Co.	23930 Michigan Ave. Dearborn, MI 40126	December 9, 1988
113. Jacob Engle Foundation, Inc. (The)	P.O. Box 1136 Upland, CA 91786	March 25, 1983	131. Merrill, Lynch, Pierce, Fenner & Smith, Inc.	One Liberty Plaza New York, NY 10006	August 3, 1987
114. Janney Montgomery Scott, Inc.	1801 Market Street Philadelphia, PA 19103	March 23, 1982	132. Merrimack Valley Investment, Inc.	367 Kingsbury Ave. Haverhill, MA 01830	September 28, 1984
115. Jefferson Pilot Investor Services, Inc.	100 North Greene Street Greensboro, NC 27401	October 22, 1979	133. Mesirow Financial, Inc.	350 N. Clark Street Chicago, IL 60610	May 28, 1982
116. Jesup, Josephthal & Co., Inc.	One Whitehall Street New York, NY 10004	December 18, 1990	134. Metropolitan Life Insurance Co.	One Madison Avenue New York, NY 10010	January 28, 1987
117. John Hancock Clearing Corporation	200 Liberty Street New York, NY 10281	March 21, 1991	135. Metropolitan Mortgage & Securities Corporation	W. 292 Sprague Ave. Spokane, WA 99204	November 10, 1976
118. John Hancock Mutual Life Insurance Company	John Hancock Place 200 Clarendon Boston, MA 02117	August 24, 1993	136. Mid-Ohio Securities Corp.	Spitzer Park Plaza 511 Broad St. Elyria, OH 44035	August 8, 1989
119. Juran & Moody, Inc.	Minnesota Mutual Life Center 400 North Robert Street Suite 800 Saint Paul, MN 55101	May 27, 1994	137. Mid-States Enterprises, Inc.	Carroll, IA	December 30, 1976
120. Kagin Numismatic Services, Ltd.	1000 Insurance Exchange Bldg. Des Moines, IA 50309	March 18, 1980	138. Miller Johnson & Kuehn, Inc.	5500 Wayzata Blvd. Minneapolis, MN 55416	November 15, 2000
121. Kirkpatrick, Pettis, Smith Polian, Inc.	1623 Farnam Street Suite 700 Omaha, NE 68102	August 18, 1981	139. Milwaukee Company (The)	250 East Wisconsin Avenue Milwaukee, WI 53202	September 15, 1986
122. L.F. Rothchild, Unterberg, Towbin	55 Water Street New York, NY 10041	December 23, 1985	140. MKI Securities Corp.	61 Broadway New York, NY 10006	April 17, 1985
123. Legg Mason Wood Walker, Inc.	111 S. Calvert Street P.O. Box 1476 Baltimore, MD 21203	June 4, 1985	141. Money Management Associates	4922 Fairmont Avenue Bethesda, MD 20814	May 26, 1987
124. Lehman Brothers, Inc.	200 Vesey Street New York, NY 10285	December 20, 2000	142. Moore & Schley, Cameron & Co.	Two Broadway New York, NY 10004	November 15, 1977

Name	Address	Approval Date	Name	Address	Approval Date
143. Morgan Keegan & Company, Inc.	Morgan Keegan Tower Fifty Front Street Memphis, TN 38108	January 27, 1982	160. Oberweis Securities, Inc.	841 North Lake Street Aurora, IL 60506	February 11, 1985
144. Morgan Stanley DW Inc.	1585 Broadway New York, NY 10036	May 29, 1986	161. PaineWebber, Incorporated	1285 Avenue of the Americas New York, NY 10019	May 12, 1989
145. Mortgage Loan Services, Inc.	780 Lynnhaven Parkway Suite 200 Virginia Beach, VA 23452	March 15, 1995	162. Parker/Hunter, Inc.	600 Grant Street Pittsburgh, PA 15219	June 15, 1990
146. Moseley, Hallgarten, Estabrook & Weeden, Inc.	One New York Plaza New York, NY 10004	December 10, 1985	163. Partnership Services, Inc.	5520 LBJ Freeway Suite 430 Dallas, TX 75240	March 31, 1993
147. Murphy Favre, Inc.	W. 601 Riverside, 9th Floor Spokane, WA 99201	August 2, 1976	164. Peninsular Securities Co.	Waters Building Grand Rapids, MI 49503	January 28, 1985
148. Mutual Service Cooperative	Two Pine Tree Drive Arden Hills, MN 55112	June 6, 1996	165. PENSICO Pension Services, Inc.	250 Montgomery Street Third Floor San Francisco, CA 94104	June 4, 1990
149. Myriad Corporation	1400 50th Street West Des Moines, IA 50265	July 20, 1977	166. Perelman-Carley & Associates, Inc.	Twin Towers 3000 Farnam Street Omaha, NE 68131	January 13, 1989
150. National Bank of Greece, S.A.	33 State Street Boston, MA 02109	February 4, 1988	167. Perkins, Wolf, McDonnell & Co.	53 West Jackson Boulevard Chicago, IL 60604	December 30, 1991
151. National Covenant Properties	Chicago, IL	June 30, 1978	168. Pflueger & Baerwald, Inc.	Mills Building Room 1000 220 Montgomery Street San Francisco, CA 94104	November 9, 1981
152. National Investor Services Corp.	44 Wall Street New York, NY 10005	March 18, 1996	169. PFS Investments, Inc.	3120 Breckenridge Boulevard Duluth, GA 30199	September 28, 1995
153. National Life Insurance Company	One National Life Drive Montpelier, VT 05604	January 1, 1998	170. Pioneer Financial Services, Inc.	4233 Roanoke Road Kansas City, MO 64111	January 25, 1985
154. National Securities Corporation	1001 Fourth Avenue Suite 2200 Seattle, WA 98154	December 31, 1986	171. Pioneer Investment Management USA	60 State Street Boston, MA 02109	February 21, 1986
155. Nationwide Advisory Services, Inc. (Nationwide Financial Services, Inc.)	One Nationwide Plaza Columbus, OH 43216	September 25, 1985	172. Prescott, Ball & Turben, Inc.	1331 Euclid Ave. Cleveland, OH 44115	January 27, 1983
156. Nationwide Credit Union	One Nationwide Plaza Columbus, OH 43216	April 13, 1978	173. PrimeVest Financial Services, Inc.	400 First Street South St. Cloud, MN 56301-3600	December 8, 1993
157. NBC Securities, Inc.	1927 First Avenue North Birmingham, AL 35203	July 16, 1996	174. Principal Life Insurance Company	711 High Street Des Moines, IA 50392-0001	July 27, 1988
158. Neuberger & Berman	522 Fifth Ave. New York, NY 10036	October 4, 1983	175. Prudential Securities, Inc.	100 Gold Street New York, NY 10292	July 28, 1989
159. Newhard, Cook & Co.	300 North Broadway St. Louis, MO 63102	June 4, 1985	176. R. Rowland & Co., Inc.	St. Louis, MO	March 29, 1984

Name	Address	Approval Date	Name	Address	Approval Date
177. R.G. Dickinson & Co.	200 Des Moines Building 405 6th Ave. Des Moines, IA 50309	July 20, 1983	194. SBC Trust Services, Inc.	2401 Cedar Springs Road Dallas, TX 75201-1407	April 10, 2001
178. R.J. Steichen & Company	Midwest Plaza Suite 100 801 Nicolett Mall Minneapolis, MN 55402-2526	May 21, 1993	195. SBCI Swiss Bank Corporation Investment Banking, Inc.	222 Broadway 4th Floor New York, NY 10038	February 11, 1992
179. Raymond James & Associates, Inc.	880 Carillon Parkway P.O. Box 12749 St. Petersburg, FL 33733-2749	March 8, 1982	196. SBM Financial Services, Inc.	Suite 1150 8400 Normandale Lake Blvd. Minneapolis, MN 55437	May 13, 1995
180. Raymond James & Associates, Inc.	880 Carrillon Parkway P.O. Box 12749 St. Petersburg, FL 33733-2749	April 26, 1982	197. Scott & Stringfellow, Inc. (FKN Craige, Inc.)	823 E. Main Street Richmond, VA 23219	May 5, 1999
181. Regan MacKenzie, Incorporated	999 Third Avenue Suite 4300 Seattle, WA 98104	August 31, 1989	198. Scottsdale Securities, Inc.	12855 Flushing Meadow Drive St. Louis, MO 63131	October 9, 1996
182. Regions Investment Company, Inc.	2011 Fourth Avenue North Birmingham, AL 35203	July 20, 2000	199. Securities Management Research	Two Moody Plaza Galveston, TX 77550	June 22, 1978
183. Reserve Management Company, Inc.	810 Seventh Avenue New York, NY 10019	October 18, 1989	200. Security Management Company (formerly, Security Management)	700 SW Harrison Street Topeka, KS 66636-0001	August 14, 1996
184. Robert W. Baird & Co., Inc.	777 E. Wisconsin Avenue Milwaukee, WI 53202	July 31, 1986	201. SG Cowen Securities Corporation	1221 Avenue of the Americas New York, NY 10020	June 30, 1998
185. Robinson-Humphrey Co., Inc (The)	Two Peachtree Street, N.W. Atlanta, GA 30383	May 24, 1982	202. SMA Services, Inc.	35 Lakeshore Drive Birmingham, AL 35209	August 27, 1998
186. Romano Bros. & Co.	820 Davis Street Evanston, IL 60201	September 28, 1984	203. Smith, Moore & Co.	400 Locust Street St. Louis, MO 63102	January 18, 1983
187. Rose & Company Investment Brokers, Inc.	141 West Jackson Blvd. Chicago, IL 60604	April 14, 1982	204. Southwest Securities, Inc.	Suite 4300 Renaissance Tower 1201 Elm Street Dallas, TX 75270	December 9, 1992
188. Rotan Mosle, Inc.	1500 S. Tower Pennzoil Place P.O. Box 3226 Houston, TX 77001	May 6, 1980	205. Spear Rees & Co.	505 North Brand Boulevard Sixteenth Floor Glendale, CA 91203	January 13, 1988
189. Rushmore Investment Brokers, Inc.	4922 Fairmont Avenue Bethesda, MD 20814	September 24, 1986	206. Spear, Leeds & Kellogg	120 Broadway New York, NY 10271	March 29, 1996
190. Salomon Smith Barney, Inc.	388 Greenwich St. New York, NY 10105	July 22, 1985	207. State Bond and Mortgage Company	8500 Normandale Lake Blvd. Minneapolis, MN 55437	December 21, 1990
191. Sanford C. Bernstein & Co., Inc.	767 Fifth Avenue New York, NY 10153	November 13, 1986	208. State Employees Credit Union	801 Hillsborough Street P.O. Box 26807 Raleigh, NC 27611-6807	January 1, 1977
192. Santa Ana City Employees Credit Union	800 West Santa Ana Blvd. Santa Ana, CA 92701	March 25, 1982	209. State Farm Investment Management Corporation	One State Farm Plaza Bloomington, IL 61410	September 22, 1999
193. Saturna Capital Corporation	101 Prospect Street Bellingham, WA 98227-2838	March 28, 1991	210. Stephens, Inc.	111 Center Street Little Rock, AR 72201	December 4, 1987

Name	Address	Approval Date	Name	Address	Approval Date
211. Stern Brothers & Co.	1100 Main Street Suite 2200 Kansas City, MO 64199	December 15, 1987	225. USAA Transfer Agency Company of Delaware	USAA Building San Antonio, TX 78288	October 2, 1990
212. Sterne, Agee & Leach, Inc.	1500 Am South-Sonat Tower Birmingham, AL 35203	September 11, 1981	226. W.H. Reaves & Co., Inc.	30 Montgomery Street Jersey City, NJ 07302	December 7, 1990
213. Stifel, Nicolaus & Co., Inc.	500 North Broadway St. Louis, MO 63102	September 9, 1981	227. W.H. Turlington & Co.	509 East Center Street Lexington, NC 27292	November 3, 1980
214. Summit Discount Brokerage (FKA Lehigh Securities Corp.)	1457 MacArthur Road Lehigh Valley, PA 18002	April 4, 1990	228. Wachovia Securities, Inc.	201 North Tryon Street Charlotte, NC 28202	April 6, 1990
215. Sun Trust Equitable Securities	Nashville City Center Suite 800 6th Avenue No. & Union St. Nashville, TN 37219	May 27, 1982	229. Waterhouse Securities, Inc.	44 Wall Street New York, NY 10005	February 23, 1988
216. Sunpoint Securities, Inc.	911 W. Loop 281 Longview, TX 75604	April 1, 1998	230. Wayne Hummer & Co.	300 South Wacker Drive Chicago, IL 60606	January 25, 1983
217. Sutro & Company, Inc.	201 California Street San Francisco, CA 94111-5096	December 8, 1988	231. Web Street Securities, Inc.	222 South Riverside Plaza 11th Floor Chicago, IL 60601	April 27, 2000
218. Swiss American Securities, Inc.	100 Wall Street New York, NY 10005	December 2, 1980	232. Wedbush Morgan Securities	1000 Wilshire Boulevard Los Angeles, CA 90030	December 24, 1984
219. Texas First Securities Corporation	1360 Post Oak Blvd. Suite 120 Houston, TX 77056	November 17, 1988	233. Weiss, Peck & Greer	One New York Plaza New York, NY 10004	June 16, 1982
220. Tucker Anthony, Incorporated	One Beacon Street Boston, MA 02108	October 23, 1980	234. Wells Advisors, Inc.	3885 Holcomb Bridge Road Norcross, GA 30092	March 20, 1992
221. U.S. Bancorp Piper Jaffray, Inc.	800 Micollet Mall Suite 800 Minneapolis, MN 55402-7020	April 21, 1982	235. Wexford Clearing Services Corporation	1 New York Plaza 11th Floor New York, NY 10292	June 30, 1998
222. U.S. Clearing Corporation	120 Wall Street New York, NY 10005	May 3, 1983	236. Wheat, First Securities, Inc.	707 East Main Street P.O. Box 135 Richmond, VA 23211	March 23, 1983
223. Unified Financial Securities, Inc.	429 North Pennsylvania Street Indianapolis, IN 46204	October 28, 1976	237. William R. Hough & Co., Inc.	Suite 800 100 2nd Avenue South St. Petersburg, FL 33701	April 18, 1995
224. United of Omaha Life Insurance	Mutual of Omaha Plaza Omaha, NE 68175	March 16, 1982			

Section 446 — Methods of Accounting

Announcement 2002-17

PURPOSE

This announcement reflects corrections to Rev. Proc. 2002-9 (2002-3 I.R.B. 327) (Jan. 22, 2002), which provides procedures under which taxpayers may obtain automatic consent of the Commissioner to change certain methods of accounting. Rev. Proc. 2002-9 was released by the Service on January 7, 2002, in advance of its publication in the Internal Revenue Bulletin. Except for items 2, 6, and 8 below, the corrections described in this announcement are already reflected in Rev. Proc. 2002-9 as published in the Internal Revenue Bulletin.

CORRECTIONS

1. In section 6.02(6)(b) the address to which copies of the application must be sent in the case of exempt organizations is changed to: “. . . Commissioner, Tax Exempt and Government Entities, Attention: TEGE:EO, P.O. Box 27720, McPherson Station, Washington, D.C. 20038.”

2. Section 13.01 is changed to read as follows: “Except as provided in sections 13.02 and 13.03 of this revenue procedure, this revenue procedure is effective for taxable years ending on or after December 31, 2001. The Service will return any application that is filed on or after January 7, 2002, if the application is filed with the national office pursuant to the Code, regulations, or administrative guidance other than this revenue procedure and the change in method of accounting is within the scope of this revenue procedure.”

3. In section 13.02, first sentence, the date is changed from December 31, 2001, to January 7, 2002.

4. In the DRAFTING INFORMATION paragraph, item (7) is changed to read: “for changes in methods of accounting under section 4B of the APPENDIX of this revenue procedure, Norm Paul of the Office of the Division Counsel/Associate Chief Counsel (Tax Exempt and Government Entities) at (202) 622-6060.”

5. The caption for section 4.01 of the Appendix is changed to read: *Certain uniform capitalization (UNICAP) methods used by resellers and reseller-producers*. A conforming change is made to the Table of Contents.

6. Section 4.01(1)(vi) of the Appendix is changed to read: “a reseller changing from a non-UNICAP method to a UNICAP method specifically described in the regulations (and making any attendant changes in the identification of costs subject to § 263A) in any taxable year, other than the first taxable year, that it does not qualify as a small reseller.”

7. Section 4.01(1)(c) of the Appendix is changed to read: “This change does not apply to a taxpayer making an historic absorption ratio election under §§ 1.263A-2(b)(4) or 1.263-3(d)(4), or to a taxpayer that wants to revoke an election to use the historic absorption ratio with the simplified resale method (see § 1.263A-3(d)(4)(iii)(B)).”

8. Section 4.02(1) of the Appendix is changed to read: “*Applicability*. This change applies to a producer of real or tangible personal property described in § 1.263A-2 that wants to change to a UNICAP method (or methods) specifically described in the regulations, and includes any changes in the identification of costs subject to section 263A made in connection therewith, but does not include a change for purposes of determining “section 471 costs” under the simplified production method.”

9. In section 5.01(1)(b)(iv)(D) of the Appendix, the first full sentence is changed to read: “. . . the simplified production method without the historic absorption ratio election (§ 1.263A-2(b)”

10. Section 10.01(1)(b)(i)(A) of the Appendix is changed to read: “. . . then the taxpayer must use that same inventory method for all of its non-LIFO inventory, including the inventory that is the subject of this accounting method change.”

EFFECT ON OTHER DOCUMENTS

Rev. Proc. 2002-9 is modified and clarified.

Extension of Time for Employers Required to Furnish Forms W-2 to Household Employees

Announcement 2002-19

This announcement provides for an extension of time for employers required to furnish Forms W-2 (*Wage and Tax Statement*) to household employees. Section 6051 of the Internal Revenue Code and section 31.6051-1(d)(1) of the Employment Tax Regulations require an employer to furnish employees a Form W-2 reflecting wages paid and employment taxes withheld by January 31st of the year subsequent to the one in which the wages were paid. Package H (*Forms and Instructions for Household Employers*), which is sent to employers of household employees, contains blank Forms W-2 and W-3 (*Transmittal of Wage and Tax Statements*). The Package H for the 2001 tax year was mailed late. Consequently, the last date for furnishing household employees their copies of Form W-2 is extended to February 15, 2002. The date for filing Forms W-2 and W-3 with the Social Security Administration remains February 28, 2002.

The principal author of this announcement is Joseph Dewald of the Office of Associate Chief Counsel, Procedure and Administration (Administrative Provisions and Judicial Practice Division). For further information regarding this announcement, you may call 202-622-4910 (not a toll-free call).

New Markets Tax Credit; Correction

Announcement 2002-20

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Corrections to temporary regulations.

SUMMARY: This document contains corrections to temporary regulations (T.D. 8971, 2002-3 I.R.B. 308) that was published in the **Federal Register** on December 26, 2001 (66 FR 66307). This document contains temporary regulations that

provide guidance for taxpayers claiming the new market tax credit under section 45D.

DATES: This correction is effective December 26, 2002.

FOR FURTHER INFORMATION CONTACT: Paul A. Handleman (202) 622-3040 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The temporary regulations that are the subject of this correction are under section 45D of Internal Revenue Code.

Need for Correction

As published, the temporary regulations (T.D. 8971) contains errors that may prove to be misleading and are in need of clarification.

Correction of Publication

Accordingly, the publication of the temporary regulations (T.D. 8971), which is the subject of FR. Doc. 01-31528, is corrected as follows:

On page 66310, column 1, under the paragraph heading “**Part 1 — Income Taxes**”, following paragraph 1, please insert the amendatory instruction “**Par. 1a.** The undesignated center heading immediately preceding § 1.30-1 is revised to read as follows: Credits Allowable Under Section 30 through 45D”.

LaNita Van Dyke,
Acting Chief, Regulations Unit,
Associate Chief Counsel
(Income Tax and Accounting).

(Filed by the Office of the Federal Register on February 1, 2002, 8:45 a.m., and published in the issue of the Federal Register for February 4, 2002, 67 F.R. 5061)

Certain Transfers of Property to Regulated Investment Companies [RICs] and Real Estate Investment Trusts [REITs]; Correction

Announcement 2002-21

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correction to temporary regulations.

SUMMARY: This document contains corrections to temporary regulations (T.D. 8975, 2002-4 I.R.B. 379) that were published in the **Federal Register** on Wednesday, January 2, 2002 (67 FR 8) relating to certain transactions or events that result in a Regulated Investment Company [RIC] or a Real Estate Investment Trust [REIT] owning property that has a basis determined by reference to a C corporation's basis in the property under sections 631 and 633.

DATES: This correction is effective January 2, 2002.

FOR FURTHER INFORMATION CONTACT: Lisa A. Fuller (202) 622-7750 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The temporary regulations that are the subject of these corrections is under sections 631 and 633 of the Internal Revenue Code.

Need for Correction

As published, the T.D. 8975 contain errors that may prove to be misleading and are in need of clarification.

Correction of Publication

Accordingly, the publication of T.D. 8975, that were the subject of FR Doc. 01-31969, is corrected as follows:

1. On page 10, column 1, in the preamble under the paragraph heading “*Section 1374 Operational Rules*”, first paragraph, line 8, the language “The comments pointed out certain” is corrected to read “The commentators pointed out certain”.

LaNita Van Dyke,
Acting Chief, Regulations Unit,
Associate Chief Counsel
(Income Tax and Accounting).

(Filed by the Office of the Federal Register on January 28, 2002, 8:45 a.m., and published in the issue of the Federal Register for January 29, 2002, 67 F.R. 4177)

Dollar-Value LIFO Regulations; Inventory Price Index Computation Method; Correction

Announcement 2002-22

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Corrections to final regulations.

SUMMARY: This document contains corrections to final regulations (T.D. 8976, 2002-5 I.R.B. 421) that were published in the **Federal Register** on Wednesday, January 9, 2002 (67 FR 1075) providing guidance on methods of valuing dollar-value LIFO pools under section 472.

DATES: This correction is effective January 9, 2002.

FOR FURTHER INFORMATION CONTACT: Leo F. Nolan II (202) 622-4970 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The final regulations that are the subject of these corrections are under section 472 of the Internal Revenue Code.

Need for Correction

As published, final regulations (T.D. 8976) contain errors which may prove to be misleading and are in need of clarification.

Correction of Publication

Accordingly, the publication of final regulations (T.D. 8976), which are the subject of FR Doc. 02-184, is corrected as follows:

1. On page 1075, columns 2 and 3, in the preamble under the paragraph heading “*Paperwork Reduction Act*”, the existing language is removed and the following language is added in its place.

The collections of information in this final rule have been reviewed and, pending receipt and evaluation of public comments, approved by the Office of Management and Budget (OMB) under 44 U.S.C. 3507 and assigned control number 1545-1767.

The collections of information in this regulation are in § 1.472-8(e)(3)(iii)(B)(3) and (e)(3)(iv). To elect the IPIC method, a taxpayer must file Form 970, “*Application to Use LIFO Inventory Method*.” This information is required to inform the Commissioner regarding the taxpayer’s elections under the IPIC method. This information will be used to determine whether the taxpayer is properly accounting for its dollar-value pools under the IPIC method. The collections of information are required if the taxpayer wants to obtain the tax benefits of the LIFO method. The likely respondents are business or other for-profit institutions, and/or small businesses or organizations.

Comments on the collections of information should be sent to the **Office of Management and Budget**, Attn: Desk Officer for the Department of the Treasury, Office of Information and Regulatory Affairs, Washington, DC 20503, with copies to the **Internal Revenue Service**, Attn: IRS Reports Clearance Officer, W:CAR:MP:FP:S, Washington, DC 20224. Comments on the collections of information should be received by March 20, 2002. Comments are specifically requested concerning:

Whether the collections of information are necessary for the proper performance of the functions of the Internal Revenue Service, including whether the information will have practical utility;

The accuracy of the estimated burden associated with the collections of information (see below);

How the quality, utility, and clarity of the information to be collected may be enhanced;

How the burden of complying with the collections of information may be minimized, including through the application

of automated collection techniques or other forms of information technology; and,

Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of service to provide information.

The reporting burden contained in § 1.472-8(e)(3)(iii)(B)(3) and (e)(3)(iv) is reflected in the burden of Form 970.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the Office of Management and Budget.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

§ 1.472-8 [Corrected]

2. On page 1088, column 3, § 1.472-8(e)(3)(iii)(E)(i), *Example 1.*, line 21, the language “items in R’s inventories fall within the 2-digit” is corrected to read “items in R’s inventory fall within the 2-digit.”

3. On page 1094, column 2, § 1.472-8(e)(3)(v)(B), lines 23 and 24, the language “year as required by paragraph (e)(3)(iv)(B)(1) of this section. Because a” is corrected to read “year. See paragraph (e)(3)(iv)(B)(1) of this section for an example of this computation. Because a.”

LaNita VanDyke,
Acting Chief, Regulations Unit,
Associate Chief Counsel
(Income Tax and Accounting).

(Filed by the Office of the Federal Register on February 1, 2002, 8:45 a.m., and published in the issue of the Federal Register for February 4, 2002, 67 F.R. 5061)

Averaging of Farm Income; Correction

Announcement 2002-23

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correction to final regulations.

SUMMARY: This document contains a correction to final regulations (T.D. 8972, 2002-5 I.R.B. 443) that were published in the **Federal Register** on Tuesday, January 8, 2002 (67 FR 817), relating to the election to average farm income in computing tax liability.

DATES: This correction is effective January 8, 2002.

FOR FURTHER INFORMATION CONTACT: John M. Moran (202) 622-4940 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The final regulations that are the subject of this correction are under section 1301 of the Internal Revenue Code.

Need for Correction

As published, the final regulations contain an error that may prove to be misleading and is in need of clarification.

Correction of Publication

Accordingly, the publication of the final regulations (T.D. 8972), that were the subject of FR Doc. 02-183, is corrected as follows:

§ 1-1301-1 [Corrected]

On page 821, column 1, § 1.1301-1, paragraph (d)(3)(ii), *Example (ii)*, line 9, the language “years 1990, 2000, and 2001. T’s 2002 tax” is corrected to read “years 1999, 2000, and 2001. T’s 2002 tax”.

LaNita Van Dyke,
Acting Chief, Regulations Unit,
Office of Special Counsel
(Modernization and Strategic Planning).

(Filed by the Office of the Federal Register on February 4, 2002, 8:45 a.m., and published in the issue of the Federal Register for February 5, 2002, 67 F.R. 5203)

Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as "rulings") that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it

applies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in law or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in the new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the

new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C—Individual.
C.B.—Cumulative Bulletin.
CFR—Code of Federal Regulations.
CI—City.
COOP—Cooperative.
Ct.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Order—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.

E.O.—Executive Order.
ER—Employer.
ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contributions Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
F.R.—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign Corporation.
G.C.M.—Chief Counsel's Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
I.R.B.—Internal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
L—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.

PHC—Personal Holding Company.
PO—Possession of the U.S.
PR—Partner.
PRS—Partnership.
PTE—Prohibited Transaction Exemption.
Pub. L.—Public Law.
REIT—Real Estate Investment Trust.
Rev. Proc.—Revenue Procedure.
Rev. Rul.—Revenue Ruling.
S—Subsidiary.
S.P.R.—Statements of Procedural Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z—Corporation.

Numerical Finding List¹

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¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2001–27 through 2001–53 is in Internal Revenue Bulletin 2002–1, dated January 7, 2002.

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² A cumulative list of current actions on previously published items in Internal Revenue Bulletins 2001–27 through 2001–53 is in Internal Revenue Bulletin 2002–1, dated January 7, 2002.